

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE INTRASTATE)	
SWITCHED ACCESS RATES OF ALL KENTUCKY)	CASE NO.
INCUMBENT AND COMPETITIVE LOCAL)	2010-00398
EXCHANGE CARRIERS)	

ORDER

On November 5, 2010, the Commission initiated this administrative case to examine the switched access rates of Kentucky incumbent and competitive carriers. The purpose of the investigation, *inter alia*, was to determine if those switched access rates included above-cost implicit subsidies, and if so, whether they qualified as anti-competitive. The Commission would also investigate whether to establish a statewide methodology for calculating intrastate access rates.

On November 18, 2011, the Federal Communications Commission ("FCC") released an Order that, *inter alia*, comprehensively reformed intercarrier compensation ("ICC").¹ The Order dramatically changed the cost/revenue structure of the telecommunications industry and affected all carriers whether providing local, long distance, wireless, broadband, or VoIP. The Order also shifted the emphasis of universal voice service to universal broadband service.

¹ See, *In the Matter of Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform: Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) ("ICC/USF Order").

The FCC has had an active docket addressing intercarrier compensation reform since 1996, when the 1996 Telecommunications Act was enacted. The FCC's ICC/USF Order reformed intercarrier compensation and the USF. Intercarrier compensation reform took the following forms: (1) terminating access and reciprocal compensation, both intrastate and interstate, will ultimately go to zero; and (2) the rates for terminating access will transition over several steps during a six- to eight-year period.

The FCC capped all terminating access and reciprocal compensation rates on December 29, 2011. The FCC then established a timeline whereby the rates will transition to zero over a period of up to eight years, with rates reaching zero on or before July 20, 2020. The transition required that the carriers make their first filing with the states on or before July 1, 2012.

The FCC required these changes in rates to intrastate toll traffic be made through tariff filings. The states play an important role in the filing of tariffs containing the new rates. The states have the responsibility to ensure that the carriers comply with the transition timing and intrastate access charge reductions. The FCC has tasked the states with: (1) monitoring compliance with the rate transition; (2) reviewing how carriers reduce rates to ensure consistency with the uniform framework; and (3) guarding against attempts to raise capped intercarrier compensation rates and unanticipated types of gamesmanship. The states are also to review negotiated interconnection agreements to ensure that they comply with the compensation framework.

On March 22, 2012, the Commission issued an Order noting that the FCC's ICC/USF Order had fundamentally reformed intercarrier compensation. The

Commission concluded that it had limited jurisdiction over intercarrier compensation and instructed the parties to file suggestions on further proceedings in the case. In their comments, the parties agreed with the Commission's conclusion that the FCC had limited the Commission's jurisdiction with regard to intrastate access rates. The parties also recommend that the Commission close the case because the FCC had preempted the Commission from acting.

On May 30, 2012, the Commission issued an Order requiring the parties to file their revised intrastate access tariffs with the Commission. The tariffs were to be filed with an effective date of July 3, 2012. The Order also required that the carriers file supporting data and information with their tariffs consistent with the FCC's ICC/USF Order.

The parties have now filed the required tariffs with the necessary supporting data. All of the filings comply with the FCC's ICC/USF Order as well as the Commission's Orders. Due to the FCC's action, there are no more issues over which the Commission can exercise jurisdiction in this administrative case. Accordingly, the Commission finds that dismissal of the administrative case is the only option that is warranted.

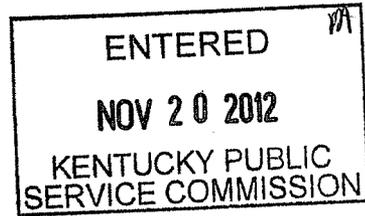
In the future, the annual tariff filings reducing access charges and reciprocal compensation will be filed as normal tariffs and reviewed by staff to ensure compliance with the FCC's ICC/USF Order. If a problem arises with the filings, the tariff will be suspended and investigated on an individual basis.

Based upon the foregoing, IT IS ORDERED that:

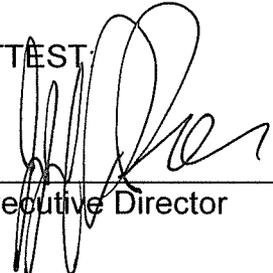
1. This case is closed and removed from the Commission's docket.

2. Any tariff filings required by the FCC's ICC/USF Order reducing access charges and reciprocal compensation shall be filed pursuant to KRS 278.180 and filed no later than 60 days prior to July 1 of each calendar year.

By the Commission



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